



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

City of West Richland

Benton County

For the period January 1, 2013 through December 31, 2013

Published December 29, 2014

Report No. 1013330





Washington State Auditor
Troy Kelley

December 29, 2014

Mayor and City Council
City of West Richland
West Richland, Washington

Report on Financial Statements

Please find attached our report on the City of West Richland's financial statements.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City of West Richland
Benton County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of West Richland
West Richland, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of West Richland, Benton County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 22, 2014.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to

disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 22, 2014

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of West Richland Benton County January 1, 2013 through December 31, 2013

Mayor and City Council
City of West Richland
West Richland, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of West Richland, Benton County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of West Richland has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of West Richland, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of West Richland, as of December 31, 2013, or the

changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

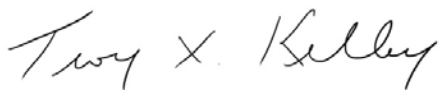
Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Liabilities is presented for purposes of additional analysis as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 22, 2014

FINANCIAL SECTION

**City of West Richland
Benton County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013

City of West Richland
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	001 GENERAL FUND	101 STREET FUND
Beginning Cash and Investments				
30810	Reserved	2,345,637	-	-
30880	Unreserved	8,522,744	1,914,511	106,394
388 & 588	Prior Period Adjustments, Net	53,279	17,830	136
Operating Revenues				
310	Taxes	4,964,967	3,850,199	52,522
320	Licenses & Permits	446,927	436,332	10,595
330	Intergovernmental Revenues	1,117,947	410,433	259,858
340	Charges for Goods and Services	7,453,886	558,425	9,551
350	Fines & Penalties	212,151	207,946	90
360	Miscellaneous Revenues	246,494	102,500	1,198
Total Operating Revenues:		14,442,372	5,565,835	333,814
Operating Expenditures				
510	General Government	1,106,956	1,057,398	-
520	Public Safety	2,387,692	2,345,127	-
530	Utilities	4,736,616	148,584	-
540	Transportation	700,087	-	323,952
550	Natural and Economic Environment	854,479	854,479	-
560	Social Services	6,428	6,428	-
570	Culture And Recreation	755,431	369,553	-
Total Operating Expenditures:		10,547,690	4,781,568	323,952
Net Operating Increase (Decrease):		3,894,682	784,266	9,862
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	1,015,947	38,134	4,783
391-393	Debt Proceeds	283,630	-	-
397	Transfers-In	486,240	82,334	50,000
Total Nonoperating Revenues:		1,785,817	120,468	54,783
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	248,074	4,049	115
591-593	Debt Service	1,759,823	244,534	-
594-595	Capital Expenditures	1,499,169	36,819	9,074
597	Transfers-Out	389,662	312,619	-
Total Nonoperating Expenditures:		3,896,728	598,021	9,189
Net Increase (Decrease) in Cash and Investments:		1,783,771	306,713	55,456
Ending Cash and Investments				
50810	Reserved	2,749,088	-	-
50880	Unreserved	9,956,346	2,239,054	161,986

The accompanying notes are an integral part of this statement.

City of West Richland
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		104 PARK IMPACT FUND	105 CRIMINAL JUSTICE FUND	121 LIBRARY SERVICES FUND
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	482,214	235,743	204,512
388 & 588	Prior Period Adjustments, Net	406	174	154
Operating Revenues				
310	Taxes	-	223,389	371,494
320	Licenses & Permits	-	-	-
330	Intergovernmental Revenues	-	16,559	-
340	Charges for Goods and Services	101,906	-	-
350	Fines & Penalties	-	-	-
360	Miscellaneous Revenues	912	440	331
Total Operating Revenues:		102,818	240,388	371,825
Operating Expenditures				
510	General Government	-	46,500	-
520	Public Safety	-	42,565	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture And Recreation	4,391	-	381,487
Total Operating Expenditures:		4,391	89,065	381,487
Net Operating Increase (Decrease):		98,427	151,323	(9,662)
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	155,322	-
397	Transfers-In	-	-	-
Total Nonoperating Revenues:		-	155,322	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	1
591-593	Debt Service	-	109,487	-
594-595	Capital Expenditures	-	157,435	22,709
597	Transfers-Out	-	-	-
Total Nonoperating Expenditures:		-	266,922	22,711
Net Increase (Decrease) in Cash and Investments:		98,427	39,723	(32,372)
Ending Cash and Investments				
50810	Reserved	-	-	-
50880	Unreserved	581,048	275,640	172,294

The accompanying notes are an integral part of this statement.

City of West Richland
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		202 COUNCILMANIC BOND FUND	204 HAEIFC DEBT FUND	284 LID 2004.1 POLO CLUB 1 SEWER FUND
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	3,619	-	8,228
388 & 588	Prior Period Adjustments, Net	-	-	0
Operating Revenues				
310	Taxes	-	-	-
320	Licenses & Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	-	-	-
350	Fines & Penalties	-	-	131
360	Miscellaneous Revenues	1	-	18,306
Total Operating Revenues:		1	-	18,437
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture And Recreation	-	-	-
Total Operating Expenditures:		-	-	-
Net Operating Increase (Decrease):		1	-	18,437
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	68,127	83,278	17,998
Total Nonoperating Revenues:		68,127	83,278	17,998
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	30,344
591-593	Debt Service	71,748	83,278	5,403
594-595	Capital Expenditures	-	-	-
597	Transfers-Out	-	-	8,916
Total Nonoperating Expenditures:		71,748	83,278	44,663
Net Increase (Decrease) in Cash and Investments:		(3,620)	-	(8,228)
Ending Cash and Investments				
50810	Reserved	-	-	-
50880	Unreserved	-	-	-

The accompanying notes are an integral part of this statement.

City of West Richland
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		286 LID 2007.1 IRONTON DR/S 58TH FUND	301 CAPITAL IMPROVEMENTS FUND-REET I	302 CAPITAL IMPROVEMENTS FUND-REET II- STREET OVERLAY
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	5,684	262,712	356,223
388 & 588	Prior Period Adjustments, Net	0	191	301
Operating Revenues				
310	Taxes	-	233,682	233,682
320	Licenses & Permits	-	-	-
330	Intergovernmental Revenues	-	-	173,876
340	Charges for Goods and Services	-	-	-
350	Fines & Penalties	3,483	-	-
360	Miscellaneous Revenues	12,187	488	660
Total Operating Revenues:		15,670	234,170	408,217
Operating Expenditures				
510	General Government	-	1,709	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	363,061
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture And Recreation	-	-	-
Total Operating Expenditures:		-	1,709	363,061
Net Operating Increase (Decrease):		15,670	232,461	45,156
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	5,162	-	-
Total Nonoperating Revenues:		5,162	-	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	19,593	-	-
591-593	Debt Service	6,923	115,050	19
594-595	Capital Expenditures	-	8,922	14,217
597	Transfers-Out	-	8,175	-
Total Nonoperating Expenditures:		26,516	132,147	14,236
Net Increase (Decrease) in Cash and Investments:		(5,684)	100,314	30,920
Ending Cash and Investments				
50810	Reserved	-	-	-
50880	Unreserved	-	363,217	387,444

The accompanying notes are an integral part of this statement.

City of West Richland
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		320 CAPITAL IMPROVEMENTS FUND- CERB/SHELBY	355 CAPITAL IMPROVEMENTS FUND- TRANSPORTATIO N IMPROVEMENT PROGRAM	360 CAPITAL IMPROVEMENTS FUND-STREETS
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	3	101,808	4,118
388 & 588	Prior Period Adjustments, Net	-	593	3
Operating Revenues				
310	Taxes	-	-	-
320	Licenses & Permits	-	-	-
330	Intergovernmental Revenues	-	122,299	-
340	Charges for Goods and Services	-	142,928	-
350	Fines & Penalties	-	-	-
360	Miscellaneous Revenues	0	274	7
Total Operating Revenues:		0	265,501	7
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	13,074	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture And Recreation	-	-	-
Total Operating Expenditures:		-	13,074	-
Net Operating Increase (Decrease):		0	252,427	7
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	2,765	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	179,340	-	-
Total Nonoperating Revenues:		182,106	-	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	178,799	-	-
591-593	Debt Service	544	-	-
594-595	Capital Expenditures	2,618	175,874	-
597	Transfers-Out	-	-	-
Total Nonoperating Expenditures:		181,961	175,874	-
Net Increase (Decrease) in Cash and Investments:		144	76,553	7
Ending Cash and Investments				
50810	Reserved	-	-	-
50880	Unreserved	150	178,954	4,128

The accompanying notes are an integral part of this statement.

City of West Richland
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		374 CAPITAL IMPROVEMENTS FUND-VAN GIESEN REDEVELOPMEN T PHASE 1	401 WATER/SEWER UTILITY FUND	402 IRRIGATION UTILITY FUND
Beginning Cash and Investments				
30810	Reserved	-	2,345,637	-
30880	Unreserved	275,244	4,152,246	112,482
388 & 588	Prior Period Adjustments, Net	206	32,951	60
Operating Revenues				
310	Taxes	-	-	-
320	Licenses & Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	-	5,171,640	62,541
350	Fines & Penalties	-	500	-
360	Miscellaneous Revenues	775	107,391	138
Total Operating Revenues:		775	5,279,531	62,679
Operating Expenditures				
510	General Government	-	1,350	-
520	Public Safety	-	-	-
530	Utilities	-	3,251,742	76,988
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture And Recreation	-	-	-
Total Operating Expenditures:		-	3,253,092	76,988
Net Operating Increase (Decrease):		775	2,026,439	(14,309)
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	-	970,264	-
391-393	Debt Proceeds	-	128,308	-
397	Transfers-In	-	-	-
Total Nonoperating Revenues:		-	1,098,573	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	15,020	24
591-593	Debt Service	-	1,122,837	-
594-595	Capital Expenditures	-	947,829	18,154
597	Transfers-Out	-	59,952	-
Total Nonoperating Expenditures:		-	2,145,638	18,178
Net Increase (Decrease) in Cash and Investments:		775	979,373	(32,487)
Ending Cash and Investments				
50810	Reserved	-	2,749,088	-
50880	Unreserved	276,225	4,761,121	80,054

The accompanying notes are an integral part of this statement.

City of West Richland
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		404 STORMWATER UTILITY FUND	405 SOLID WASTE UTILITY FUND
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	253,625	43,378
388 & 588	Prior Period Adjustments, Net	171	101
Operating Revenues			
310	Taxes	-	-
320	Licenses & Permits	-	-
330	Intergovernmental Revenues	134,922	-
340	Charges for Goods and Services	285,594	1,121,301
350	Fines & Penalties	-	-
360	Miscellaneous Revenues	583	303
Total Operating Revenues:		421,099	1,121,605
Operating Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	210,433	1,048,869
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture And Recreation	-	-
Total Operating Expenditures:		210,433	1,048,869
Net Operating Increase (Decrease):		210,666	72,736
Nonoperating Revenues			
370-380, 395 & 398	Other Financing Sources	-	-
391-393	Debt Proceeds	-	-
397	Transfers-In	-	-
Total Nonoperating Revenues:		-	-
Nonoperating Expenditures			
580, 596 & 599	Other Financing Uses	124	6
591-593	Debt Service	-	-
594-595	Capital Expenditures	104,279	1,239
597	Transfers-Out	-	-
Total Nonoperating Expenditures:		104,402	1,245
Net Increase (Decrease) in Cash and Investments:		106,263	71,491
Ending Cash and Investments			
50810	Reserved	-	-
50880	Unreserved	360,061	114,970

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	602 LID GUARANTY FUND	621 TREASURER'S TRUST FUND	624 HOLDING FUND
308	Beginning Cash and Investments	188,224	60,328	91,748	36,148
388 and 588	Prior Period Adjustments, net	-45,689	0	-45,717	27
310-360	Revenues	75	18	0	57
380-390	Other Increases and Financing Sources	263,960	8,916	255,043	0
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	315,125	69,262	209,631	36,232
Increase (Decrease) in Cash and Investments		-51,091	-60,328	45,412	-36,175
508	Ending Cash and Investments	91,444	0	91,444	0

The accompanying notes are an integral part of this Statement.

CITY OF WEST RICHLAND (MCAG 0212)
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of West Richland reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of West Richland was incorporated on June 17, 1955 and operates under the laws of the state of Washington applicable to a code city with a Mayor-Council form of Government. The City of West Richland is a general purpose government providing public safety, community development, street improvements, park and recreation as well as general administrative services. In addition, the City of West Richland owns and operates water/sewer, irrigation and storm water utilities. The City provides solid waste services to its citizens by contracting with a private solid waste services company. The City of West Richland uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City of West Richland are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of West Richland's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of West Richland:

GOVERNMENTAL FUND TYPES:

General Fund (Fund 001): This fund is the primary operating fund of the City of West Richland. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds (Funds in the 100 series): These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of West Richland.

Debt Service Funds (Funds in the 200 series): These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds (Funds in the 300 series): These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds (Funds in the 400 series): These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

FIDUCIARY FUND TYPES:

Fiduciary funds (Funds in the 600 series): These funds account for assets held by the City of West Richland in a trustee capacity or as an agent on behalf of others as consist of the following:

Agency Funds: These funds are used to account for assets that the City holds in an agency capacity.

B. Basis of Accounting

The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The City of West Richland applies a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America where revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the City of West Richland also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

C. Budgets

The City of West Richland adopts biennial appropriated budgets for governmental, special revenue, capital improvements and proprietary funds. These budgets:

- 1) Are adopted on the same basis of accounting as used for financial reporting,
- 2) Are appropriated at the fund level and constitute the legal authority for expenditures at that level,
- 3) Do not include transfers between funds where funds are presented together.
- 4) Allow for budgeted amounts to be transferred between departments within any fund/object class so long as the total expenditures of the fund are not altered,
- 5) Require any revisions that alter the total expenditures of the fund or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment be approved by the City Council (See *Budget Amendments* for a discussion of the significant amendments which occurred in 2013),
- 6) Lapse at the fiscal year end.

Budget Process:

- Finance Director provides Council with information on revenue estimates in the current budget – *Ongoing*
- Request to all department heads to prepare detailed estimates of revenues and expenditures for the next fiscal year – *Mid June*
- Estimates are to be filed with the Finance Director for compilation – *Mid August*
- Estimates presented to Mayor for review and revision – *Mid August*
- The City Council is provided with proposed preliminary budget showing expenditures requested by each department – *Early October*
- The City Council or a committee thereof, schedules meetings on the budget or parts of the budget – *Throughout October and November.*
- Mayor's preliminary budget prepared and made available to the public – *Early November*
- Public hearing on revenue sources and setting property tax levy – *Early November*
- Final hearing on preliminary budget and adoption of final budget – *Early December*

Presentation of Budgeted and Actual Expenditures

The City has a Cumulative Reserve Fund 002 and a Real Estate Management and Conservation Fund 003 which are subfunds of the General Fund and have been aggregated and reported within the General Fund. All interfund transactions between these funds have been eliminated.

The City has several water/sewer utility management funds which are subfunds of the water/sewer utility fund and have been aggregated and reported within fund 401 Water/Sewer Utility Fund. All interfund transactions between these funds have been eliminated. The funds which were aggregated and reported within the 401 fund are:

- 426 – Water/Sewer Bond Redemption Fund
- 436 – Water/Sewer Bond Reserve Fund
- 441 – Water System Development Fund
- 442 – Sewer System Development Fund
- 451 – Water Line Development Fund
- 452 – Sewer Line Development Fund
- 483 – Capital Improvements – Northwest Treatment Plant Expansion Construction

Budget Amendments:

The following details the significant budget amendments occurring during 2013 from the original 2013-2014 adopted budget:

- The City was awarded federal, state and local grant funding not anticipated in the original budget. Amendments to the following budgets were made to appropriate funds for spending in accordance with the grant agreements:
 - General fund: \$50,000 from Port of Kennewick for City boundary review and analysis as well as \$50,000 from HAEIFC for Van Giesen redevelopment.
 - Real Estate Excise Tax II fund: \$214,269 Transportation Improvement Board grant for the S 38th Avenue arterial preservation project.
 - Traffic Improvement Program fund: \$739,250 STP-U grant for Paradise Way/Belmont Blvd, Bombing Range road phase 8 and Paradise Way extension projects as well as \$382,500 TAP and STP-U grant for Keene Road pathway phase 3 and S. 38th Avenue/Mt. Adams View drive projects.
- The Street, General and Water/Sewer utility funds had a combined total of \$54,000 of additional appropriation to purchase a used dump truck.
- The Library Services fund had \$20,000 of additional appropriation approved to replace the HVAC unit.

The final appropriated and actual expenditures for all legally adopted budgets at year-end were as follows:

	Final 2013-2014 Appropriations	Actual 2013 Expenditures	% of Biennial Budget Spent	Variance (Under)/ Over
<u>General Fund:</u>				
001 General (2)	11,116,078	5,379,584	48.39%	(5,736,494)
<u>Special Revenue Funds:</u>				
101 Street	747,382	333,141	44.57%	(414,241)
104 Park Impact	167,438	4,390	2.62%	(163,048)
105 Criminal Justice	860,823	355,987	41.35%	(504,836)
121 Library Services	838,964	404,197	48.18%	(434,767)
<u>Debt Service Funds:</u>				
204 HAEIFC Debt	166,561	83,278	50.00%	(83,283)
<u>Capital Improvement Funds:</u>				
301 REET I (1)	260,423	133,857	51.40%	(126,566)
302 REET II (1)	415,756	377,298	90.75%	(38,458)
320 Belmont	1,105,831	181,961	16.45%	(923,870)
355 Traffic Improvement Program	1,260,944	188,947	14.98%	(1,071,997)
374 Van Giesen Redevel Ph 1	282,000		0.00%	(282,000)

	Final 2013-2014 Appropriations	Actual 2013 Expenditures	% of Biennial Budget Spent	Variance (Under)/ Over
<u>Proprietary Funds</u>				
401 Water/Sewer Utility (2)	15,687,994	5,198,181	33.13%	(10,489,813)
402 Irrigation Utility	194,324	95,166	48.97%	(99,158)
404 Stormwater Utility	1,321,003	314,836	23.83%	(1,006,167)
405 Solid Waste Utility	2,222,637	1,050,112	47.25%	(1,172,525)
	36,648,158	14,100,935	38.48%	(22,547,223)
1) REET - Real Estate Excise Tax				
2) Includes management funds with appropriate eliminations				

Nearly all City funds with legally adopted budgets are either within or less than 50% spent midway through the biennial budget period of December 31, 2013. The REET II fund however, had greater than anticipated expenditures related to transportation improvements and has spent greater than 50% of their budget as of December 31, 2013. The City does not anticipate that this fund will exceed its appropriations at the end of the 2013-2014 biennial budget.

Future Budget Amendments:

In February 2014, the City approved an additional appropriation of \$160,000 for the Yakima River Outfall Elimination project. The majority of this project is being funded by a \$124,000 grant from the Department of Ecology.

D. Cash and Deposits

The City of West Richland's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

It is the City's policy to invest all temporary cash surpluses. Invested amounts are included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds except where the investments were purchased by a specific fund. In those instances, interest is recorded to the fund that purchased the investments.

E. Investments: See Note 2, *Investments*.

F. Capital Assets

Capital assets are long-lived assets such as land, buildings, improvements other than buildings, artwork and historic collections of any value or any piece of equipment that is purchased or gifted to the City having a value of \$5,000 or more and a useful life of one or more years from the date of acquisition. Capital expenditures are recorded as expenditures when purchased.

G. Compensated Absences

Vacation leave is accumulated to any amount throughout the year, but only a maximum of 300 hours can be carried over at the end of the year. Accumulated leave is payable upon separation or retirement. Exempt employees may cash out up to a maximum of 40 hours of vacation during a calendar year.

Sick leave may be accumulated up to 960 hours. Upon non-disciplinary separation from employment, the City will cash out up to \$1,500 of the employee's accrued and unused sick leave for those employees with 15 years of service. The total amount cashed out increases to \$2,000 for employees with 20 or more years of service.

PTO leave may be accumulated up to 1,500 hours during the calendar year with a maximum of 1,200 hours carried over annually. Upon non-disciplinary separation of employment with adequate notice given, employees shall receive and be paid a sum equal to fifty percent of the number of accrued and unused PTO leave hours up to a maximum cash out of 600 hours.

The accompanying Schedule of Liabilities (09) provides the activity on the City's compensated absences for the fiscal year 2013.

H. Long-Term Debt: See Note 5, *Debt Service Requirements*.

I. Other Financing Sources or Uses

The City *Other Financing Sources or Uses* consist of proceeds of long-term debt, sales of capital assets, interfund loans and repayments and transfers in/out to other funds.

J. Risk Management

The City of West Richland is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

A copy of the annual financial report for WCIA may be obtained by writing to:

Washington Cities Insurance Authority
PO Box 88030
Tukwila, WA 98138

There are no known pending claims or litigation that will materially impact the City's financial stability based upon current evaluation of lawsuits by legal counsel. In the opinion of the management, the City's insurance policies are adequate to pay all known or pending claims. The City's legal counsel indicates that the City's exposure does not exceed the amount of retention. There are two pending matters (one claim and one lawsuit) filed by telecommunication companies for refund of taxes paid. The City is defending against both claims with several viable defenses. The City is involved in two land use lawsuits, the first involving a claim for a declaratory judgment and the second an appeal of a Growth Management Board decision. There is no financial liability to the City other than the cost to defend the claims. Also, the City is defending a lawsuit involving claims for civil rights violations. The City has several viable defenses and the cost of defense is covered by insurance.

K. Reserved Cash and investments

In accordance with covenant requirements set forth for the City's revenue bonded debt, there is reserved in the Water/Sewer Utility Fund \$139,704 for debt service on the outstanding revenue bonds.

In accordance with West Richland Municipal Code and the Revised Code of Washington, there is reserved in the Water/Sewer Utility Fund, \$2,609,384 for capital improvements to the water and sewer utility systems.

L. Prior Period Adjustments

The City had two Certificates of Deposits (CD) in which interest earnings were deposited to the CD balance quarterly. Those deposits had not been recognized as revenue as the time of receipt. The City recorded a prior period adjustment for the interest deposits which were received in 2011 through 2012 in the amount of \$7,587.

The City performed extensive reconciliation of the Treasurer's Trust Agency Fund during 2013. This reconciliation found that various receipts and disbursements from prior years had been recorded to this fund but should have been recorded to other City funds. A net total of \$45,717 of funds were removed from the Treasurer's Trust fund and recorded to the correct fund.

The following details the prior period adjustments that were made in 2013 as a result of the above:

Fund	Recognition of CD Interest Income	Correction of Funds Received / Disbursed from Treasurer's Trust Fund	Total
General Fund-001	1,396	16,434	17,830
Street Fund-101	136		136
Park Impact Fund-104	406		406
Criminal Justice Fund-105	174		174
Library Services Fund-121	154		154
Capital Improvements Fund-REET I-301	191		191
Capital Improvements Fund-REET II-Street Overlay-302	301		301
Capital Improvements Fund-Transportation Improvement Program-355	132	461	593
Capital Improvements Fund- Streets-360	3		3
Capital Improvements Fund-Van Giesen Redevelopment Phase 1-374	206		206
Water/Sewer Utility Fund-401	4,129	28,822	32,951
Irrigation Utility Fund-402	60		60
Storm Water Utility Fund-404	171		171
Solid Waste Utility Fund-405	101		101
Treasurer's Trust Fund-621	-	(45,717)	(45,717)
Holding Fund-624	27		27
Total	7,587	-	7,587

NOTE 2 - INVESTMENTS

It is the City's policy to invest residual pooled cash over various lengths of time. The City's investments are either insured, registered, or held by the City or its agent in the City's name.

The City has invested in instruments which are in accordance with State law and the City's investment policy. The majority of the City's investments are deposits in the Local Government Investment Pool (LGIP). The LGIP is a 2a7-like pool formed and regulated by the Revised Code of Washington. As mandated by State law, the State Treasurer periodically reports to the Governor, the State Auditor and the Joint Legislative Audit and Review Committee on the LGIP. The State Auditor's Office is responsible for monitoring the pool's compliance with State statutes and policy.

Investments are presented at original cost. Interest earned on investments is prorated back to each fund based on the average of its previous month's ending cash balances.

Investments by type at December 31, 2013 are as follows:

Type of Investment	West Richland's Own Investments	Investments Held by West Richland in an Agent Capacity (1)	Total
Local Government Investment Pool	7,549,450	89,813	7,639,263
Certificates of Deposit	545,614		545,614
U.S. Government Agencies' Securities	998,545		998,545
Total Investments	9,093,609	89,813	9,183,422

(1) Investments held for other local governments, individuals or private organizations.

NOTE 3 - PROPERTY TAX

The City of West Richland is required to certify their budget on November 1st as well as the amount of their taxes levied on November 15th for the upcoming year with the Clerk of the Board of County Commissioners.

The levy is based on the value of all taxable real property in the County at 100% of the fair market value of the property listed as of the prior May 31st as assessed by the County Assessor. The City's regular property tax levy rate on the assessed value is limited by the Washington State Constitution and State law (RCW 84.55.010 and 1101). Special levies are approved by voters and not subject to the limitations. The City's regular levy for the year 2013 was \$1.54720919 per \$1,000 on an assessed valuation of \$922,553,321 for a total regular levy of \$1,427,383 (after the appeals process). The City has no special tax levies.

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Tax bills are mailed to property owners on February 14th of the current year. Payments can begin on February 15th. The first of two equal installments is due on April 30th with the final installment due on October 31st. Penalties of 3% and 8% are assessed on June 1st and December 1st, respectively on the current year delinquent taxes. In addition to the penalties, unpaid balances accrue interest of 1% of the outstanding balance beginning May 1st.

Collections are remitted in accordance with RCW 84.56.230. Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

NOTE 4 - INTERFUND LOANS AND ADVANCES

The following provides interfund loan activity during 2013:

Borrowing Fund	Lending Fund		Balance 1/1/2013	New Loans	Repay- ments	Balance 12/31/2013
284 LID 2004.1 Polo Club I Sewer	401 Water/Sewer	1	30,344		30,344	-
286 LID 2007.1 Ironton Dr/ S 58th	401 Water/Sewer	1	19,594		19,594	-
320 Capital Imp Shelby	401 Water/Sewer	2,3	219,767	2,765	178,799	43,733
			269,705	2,765	228,737	43,733
1)To complete improvements in anticipation of assessment payments to be received from benefiting property owners. 2)To complete capital improvements in anticipation of future grant reimbursements. 3)The beginning balance has been restated to reflect the correct amount.						

An additional \$1,450 has been loaned to fund 320 from fund 401 from January through May 2014.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for the year ended December 31, 2013. The debt service requirements for general obligation and revenue bonds as well as general obligation and revenue loans and notes, both principal and interest are as follows:

Year	General Obligation Debt (1)	Revenue Debt (2)	Other Debt (3-4)	Total Debt
2014	354,536	195,225	1,246,767	1,796,528
2015			1,171,234	1,171,234
2016			1,036,942	1,036,942
2017			974,806	974,806
2018			1,024,363	1,024,363
2019-2023			4,900,594	4,900,594
2024-2028			1,655,624	1,655,624
2029-2033			343,499	343,499
	354,536	195,225	12,353,829	12,903,590

- 1) General Obligation Bonds
- 2) Revenue Bonds
- 3) General Obligation and Revenue loans issued by:
 - a. State of Washington Public Works Trust Fund program
 - b. State of Washington LOCAL program
 - c. State of Washington CERB program
 - d. Hanford Area Economic Investment Fund (HAEIFC)
- 4) The total approved CERB loan for the Belmont property is \$829,766. As of December 31, 2013 the City has withdrawn \$231,695.

Future Indebtedness:

In January 2014, the City was issued \$172,556 in new debt for the purchase of four police vehicles and equipment through the State of Washington's LOCAL program. Offsetting this was the early retirement in May 2014 of the 1999 Limited Tax General Obligation bond of \$345,000. This early retirement was made possible through more favorable than anticipated ending balances and additional resources available in the funds which were paying the debt service on the bond. This early retirement will save the City approximately \$60,000 in interest costs that would have been incurred over the life of the loan.

NOTE 6 - PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in Public Employees Retirement System (PERS) or the Law Enforcement Officers and Firefighters Retirement System (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 7 - CONSTRUCTION COMMITMENTS:

The City of West Richland has active construction projects as of December 31, 2013. At year-end the City's commitments with contractors related to these projects are as follows:

Project	Spent to Date	Remaining Commitment
Bombing Range Outfall Elimination		279,461
Belmont Water & Sewer Extension		319,565
Pavement Preservation-S 38 th Avenue	214,697	11,048
Paradise/Belmont Widening	11,113	7,087
Paradise Extension Phase 4	113,062	106,138
Bombing Range Phase 8	52,641	27,359
Intertie Booster Station Additional Pump	125,671	6,061
	517,184	756,719

In March 2014, the City of West Richland executed an agreement with the State of Washington State Recreation and Conservation Office for \$1.76 million for development of the Yakima River shoreline and trail system. No contracts have been awarded yet for carrying out this project. The City is providing matching funds for this project.

In May 2014, the City of West Richland executed two engineering services agreements for \$176,000 and \$116,500, respectively. The first is for the S 38th Avenue transportation improvement project, which will primarily be funded with grants and the second is for the industrial process water treatment facility which will be funded with sewer development fees.

NOTE 8 – JOINT VENTURES:

The City participates in the following joint ventures:

Benton County Emergency Services (BCES):

BCES was formed January 1, 1997 through an interlocal agreement entered into by the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County. This agreement will continue indefinitely unless terminated by a participant. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City and a Benton County Commissioner. The City of Richland serves as the operating jurisdiction providing all the necessary administrative support services and reporting for BCES. No distributions of income to the City are expected since charges are assessed only to recover anticipated expenses.

BCES consists of three separate divisions, Southeast Communications (SECOMM), 800Mhz and Benton County Emergency Management (BCEM). The City of West Richland participates only in BCEM.

BCEM provides disaster response planning, exercise coordination, response assistance and disaster recovery for Benton County and its political subdivisions per RCW 38.52. Four grant programs fund BCEM: Radiological Emergency Preparedness, DOE Emergency Preparedness, State Homeland Security Program and Emergency Management Program. The six (6) participating jurisdictions of the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County participate in the grant programs through the Interlocal Agreement for Emergency Management. Financial position is allocated based on equal shares of a predetermined basic charge and a variable charge calculated using population percentages and assessed valuations. The City of West Richland's equity interest in BCEM as of December 31, 2013 was \$37,732. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

Complete and separate financial statements for all operations of Benton County Emergency Services may be obtained by writing to:

City of Richland
505 Swift Blvd
Richland, Washington 99352.

Bi County Police Information Network:

The Bi-County Police Information Network (BI-PIN) was established November 24, 1982 when an Interlocal Agreement was entered into by five participating municipal corporations; the cities of Kennewick, Pasco and Richland and Benton and Franklin Counties. BI-PIN was established to assist the participating police and sheriff's departments in the deterrence and solution of criminal incidents. BI-PIN is served by an Executive Committee composed of the City Manager of each of the cities and a member from each of the Boards of County Commissioners of Benton and Franklin Counties. A liaison from the Bi-County Chiefs and Sheriffs is an ex officio, non-voting member.

The allocation of financial participation among the participating jurisdictions is based upon the approved budget for that year and is billed quarterly in advance to each agency. On dissolution of the Interlocal Agreement, the net position will be shared based upon participant contribution.

Effective January 1, 1992, the City of Kennewick assumed responsibility for operation of the BI-PIN system. As the operating jurisdiction, Kennewick provides all necessary support services for the operating BI-PIN such as accounting, legal services, risk management and information systems.

The City of West Richland's equity interest in BI-PIN on December 31, 2013 is \$26,679. The City does not anticipate any income distributions from BI-PIN since charges are assessed only to recover anticipated expenses.

Complete separate financial statements for BI-PIN may be obtained by writing to:

City of Kennewick
210 West Sixth Avenue
Kennewick, WA 99336

Metro Drug Forfeiture Fund:

The Metropolitan Controlled Substance Enforcement Group (Metro) was established in 1987 when the Cities of Richland, Kennewick, Pasco and West Richland along with the counties of Benton and Franklin entered into an interlocal agreement pursuant to RCW 39.34. Metro was established for the purpose of accounting for the proceeds of forfeitures, federal grants and court ordered contributions and to facilitate the disbursement of those proceeds for the drug enforcement and investigations.

The initial agreement expired December 31, 1989 and was renewed annually for each year until December 31, 1990 at which time the agreement was extended six months until June 30, 1991. All subsequent agreements have had the June 30 fiscal year end.

Current membership includes the Cities of West Richland, Richland, Pasco and Kennewick and Benton and Franklin Counties. Metro is served by an Executive Committee consisting of the City Manager or designee from each of the Cities of Kennewick, Richland and Pasco and one County Commissioner or designee from each of the Counties of Benton and Franklin. The Executive Committee is responsible for approval of the Metro budget and for setting policy relating to Metro. In addition a Governing Board consisting of the Chiefs of Police from the cities and the Sheriffs from the counties, provide policy recommendations to the Executive Committee relating to Metro and its expenditures and operations.

Effective January 1, 2009, the City of Kennewick assumed the responsibility for the operation of Metro. As the operating jurisdiction, Kennewick provides accounting services for the operation of Metro.

The City of West Richland's equity interest in Metro was \$4,977 on June 30, 2013. The City does not anticipate any income distribution from Metro.

Complete and separate financial statements for Metro may be obtained by writing to:

City of Kennewick
210 West Sixth Avenue
Kennewick, Washington 99336

NOTE 9 – SUBSEQUENT EVENTS

In July 2014, the City was awarded two loans from the Washington State Public Works Board Drinking Water State Revolving Loan Fund. The first was for improvements to the Brotherhood Reservoir in the amount of \$3.6 million. The second was for improvements to the Lewis and Clark Well #11 for \$2.3 million. These loans are expected to be repaid out from the water/sewer utility fund over approximately 20 years. Additionally, the City issued a General Obligation Bond for \$2.3 million in August 2015. This bond will be repaid using resources from the City's Utility Funds over approximately 20 years.

Schedule of Liabilities
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.11	Community Development/Public Works Building/Water System Well #7 GO Bond (1999) - General Government Portion	12/1/2019	47,400	0	6,000	41,400
	251.19	Community Development/Public Works Building/Water System Well #7 GO Bond (1999) -	12/1/2019	347,600	0	44,000	303,600
	263.96	Proprietary Fund Portion Development Services Building - Wa State Treasurer LOCAL Program - General Government Portion (2003)	12/1/2015	86,992	0	27,818	59,174
	251.19	Development Services Building - Wa State Treasurer LOCAL Program - Water System Portion (2003)	12/1/2015	43,496	0	13,909	29,587
	251.19	Development Services Building - Wa State Treasurer LOCAL Program - Sewer System Portion (2003)	12/1/2015	43,496	0	13,909	29,587

The accompanying notes to the financial statements are an integral part of this schedule

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
	251.19	Sewer Vactor Truck - Wa State Treasurer LOCAL Program - Sewer System Portion (2003)	12/1/2013	23,575	0	23,575	0
	251.19	Public Works Equipment - Wa State Treasurer LOCAL Program - Water System Portion (2004)	12/1/2013	2,832	0	2,832	0
	251.19	Public Works Equipment - WA State Treasurer LOCAL Program - Sewer System Portion (2004)	12/1/2013	2,831	0	2,831	0
	263.81	Keene Road Phases 2 and 3 - Wa State Public Works Trust Fund Loan (2004)	7/1/2024	950,000	0	79,167	870,833
	263.81	Polo Dewater - Wa State Public Works Trust Fund Loan (2004)	7/1/2024	238,312	0	238,312	0
	263.96	Police Vehicles - WA State Treasurer LOCAL Program (2008)	12/1/2013	37,712	0	37,712	0
	263.96	Police Radios - WA State Treasurer LOCAL Program (2008)	12/1/2015	74,731	0	23,781	50,950
	263.81	Belmont Property - WA State Treasurer CERB Loan (2012)	7/1/2031	231,696	0	0	231,696
	263.96	Police Vehicles and Equipment- WA State Treasurer LOCAL Program (2012)	6/1/2015	114,444	0	37,388	77,056

The accompanying notes to the financial statements are an integral part of this schedule

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
	263.81	Belmont Property - Hanford Area Economic Investment Fund (HAEIFC) (2012)	11/1/2026	973,361	0	54,483	918,878
	263.96	Police Vehicles- WA State Treasurer LOCAL Program (2013)	6/1/2016	0	146,078	0	146,078
	259.11	Compensated Absences		206,704	232,563	252,952	186,315
		Total General Obligations:		3,425,182	378,641	858,669	2,945,154
Revenue Obligations							
	252.11	Refunding Bond for 1994/1997 Water/Sewer (1999)	12/1/2014	380,000	0	190,000	190,000
	263.82	Wastewater Treatment Facility Improvements - WA State Public Works Trust Fund Loan (1994)	7/1/2014	64,274	0	32,137	32,137
	263.82	Water Improvements - WA State Public Works Trust Fund Loan (1994)	7/1/2014	74,371	0	37,186	37,185
	263.82	Water Well #9 Improvements - WA State Public Works Trust Fund Loan (2001)	7/1/2021	238,158	0	26,462	211,696
	263.82	Sewer Interceptor - WA State Public Works Trust Fund Loan (2002)	7/1/2022	829,531	0	82,953	746,578
	263.82	Sewer Interceptor - WA State Public Works Trust Fund Loan (2003)	7/1/2023	1,042,105	0	94,737	947,368

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Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
	263.82	Michaels Water Right System - WA State Public Works Trust Fund Loan (2004)	7/1/2024	2,988,491	0	249,041	2,739,450
	263.82	North Wastewater Treatment Plant Improvements - WA State Public Works Trust Fund Loan (2004)	7/1/2024	330,106	0	27,509	302,597
	263.82	North Wastewater Treatment Plant Improvements - WA State Public Works Trust Fund Loan (2005)	7/1/2025	2,961,502	0	227,808	2,733,694
	263.82	Water Intertie Booster Pump Station Improvements - WA State Public Works Trust Fund Loan (2012)	6/1/2031	561,517	128,308	29,554	660,271
	259.12	Compensated Absences		78,051	124,076	92,699	109,428
Total Revenue Obligations:				9,548,106	252,384	1,090,086	8,710,404
Total Liabilities:				12,973,288	631,025	1,948,755	11,655,558

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ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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